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Rewald's arms deal was 'phony,' ex-consultant says

By Walter Wright

Advertiser Staff Writer

A former Bishop Baldwin consultant testified yesterday Ronald Rewald sent him to Europe in pursuit of a "phony arms deal" which never panned out.

Rewald, on trial on federal charges of fraud, perjury and tax evasion, admits taking investor money under false pretenses, but says it was to support his CIA cover as a wealthy businessman. Rewald claims the CIA had a connection to his efforts to buy and sell military equipment, and that the CIA owed his company a \$10 million commission on such a deal.

Edwin C. "Ned" Avary, a retired Pan American World Airways pilot, testified yesterday he suspected the arms deal was phony even while he worked on it, but he continued to follow the orders of Rewald nevertheless.

"I believed in Ron, like all of us investors and employees did," Avary said.

Avary revealed that when he was living in the South Pacific in the early 1970s, he agreed to make voluntary reports to the CIA on French nuclear tests that were going on, and continued his volunteer relationship with the CIA until 1977.

But Avary insisted that:

- He never did any work for the CIA after 1977

- He didn't tell Rewald of his earlier relationship with the CIA, even though his resume letter to Rewald mentions Avary's previous statements to Rewald about "various patriotic operations I've performed for various government agencies."

- He didn't "knowingly" do anything for the CIA while working for Rewald, even though he went to Germany and obtained answers to a list of questions he received from Rewald about West German political, commercial and military affairs.

- He went to the CIA office following the Bishop Baldwin collapse only because he thought an agency that dealt with international operations might know something about an international firm like Bishop Baldwin.

"You didn't go there because you felt Bishop Baldwin had something to do with the CIA?" Rewald attorney Brian Tamanaha asked.

"Of course not," Avary said.

Avary at first said he did not remember going to the CIA office in the wake of the Bishop Baldwin collapse.

He said he was unaware of any CIA efforts to obtain security clearances for him. One such effort revealed earlier in the trial would coincide with Avary's work reporting information on French nuclear tests. Another document suggested that the Honolulu CIA office sought to update Avary's clearance in 1980.

Avary said the first clue that something was phony about a Bishop Baldwin arms deal with Taiwan was the fact that it was being handled by Bishop Baldwin consultant Russell Kim.

"I was suspect because of Russell Kim, the man that presented it. Pilots aren't stupid. After 28,000 hours in the air I wouldn't be talking to you today, alive and well, if I was stupid and if God were not my co-pilot," said Avary, who is 74.

"And when I was presented this list by this little boy (Kim), I said to myself why in God's name did the Department of Defense pick out a pipsqueak assistant sales boy like him for a multimillion-dollar arms deal."

But Avary said he went to Paris to see an arms dealer he learned about from an old friend in Florida.

Although a lot of telexes flowed back and forth, Avary said, in the end he "knew it was a paper deal, nothing to it," because he "couldn't get confirmation" and the arms dealers themselves said that if there were a real arms deal going on, their own representatives would have handled it.

(Kim, a lawyer, is reportedly in hiding, perhaps in Korea, and defense and prosecution say they haven't been able to locate him.)

Avary said he first met Rewald in a mutual effort to help retired Air Force Gen. Hunter Harris with a drinking problem, and later went to work for Bishop Baldwin, opening its foreign offices in London, Paris, Singapore, Sydney, and Sao Paulo, and researching possible investments, including a "Kahala of the Sahara" in Soto Grande, Spain, and real estate in Brazil.